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Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-12 IO-14 ISO-00 STRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02
OMB-01 DOE-15 AGR-01 /149 W
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R 301205Z JUN 78
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TO SECSTATE WASHDC 9247
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY SEOUL
AMEMBASSY TAIPEI

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USMTN
USEC
USOECD
DEPT ALSO PASS STR ELECTRONICALLY

E.O. 11652: NA
TAGS: ETRD, MTN, EEC, OECD, JA
SUBJECT: 1978 MITI WHITE PAPER ON TRADE

1. SUMMARY. MITI WHITE PAPER FOR 1978, RELEASED JUNE 27, COULD BE A MAJOR POLICY BREAKTHROUGH FOR JAPAN IN RECOGNIZING INTERNATIONAL TRADE INTERDEPENDENCE AND THE NECESSITY FOR JAPAN TO INCREASE MANUFACTURED IMPORTS, STIMULATE ITS ECONOMY, AND SEEK A BETTER GLOBAL PAYMENTS EQUILIBRIUM. IT SAID JAPAN CANNOT
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COUNT ONLY ON THE FLOATING EXCHANGE RATE TO EQUALIZE CURRENT ACCOUNTS. WHILE ASSERTING THAT THE JAPANESE DISTRIBUTION SYSTEM DOES NOT PREVENT FOREIGN PRODUCTS FROM BEING SOLD IN JAPAN, IT CONCLUDED THAT JAPAN MUST SHOULDER ITS SHARE OF RESPONSIBILITY FOR MAINTAINING FREE TRADE. END SUMMARY.

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2. THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY RELEASED ITS ANNUAL "WHITE PAPER," JUNE 27, WHICH FOCUSES ON BALANCE OF PAYMENTS (BOP), INTERNATIONAL TRADE, AND THE PROBLEMS JAPAN FACES WITH THESE. THE PAPER CONSISTS OF 3 PARTS, THE MAJOR POINTS OF WHICH ARE:

- A) PART ONE, BOP:
- (1) WORLD TRADE HAS BECOME INTERDEPENDENT AND INDIVIDUAL COUNTRIES CAN RO LONGER BRING ABOUTH ECOVERY
ALONE. INTERNATIONAL COOPERATION IS NEEDED AND TO THAT END JAPAN IS SEEKING EARLY SUCCESS IN THE MTN, SUPPORTING LKREE TRADE, AND RESPONDING IN VARIOUS WAYS TO COUNTER PROTECTIONISM.

- (2) ECONOMIC RECOVERY HAS BEEN SLOW, RESULTING IN A DECLINE IN IMPORTS WHICH HAS, IN TURN, INCREASED JAPAN'S CURRENT ACCOUNT SURPLUS. MITI CONFIRMED THAT FASTER GROWTH OF INTERNAL DEMAND IS ESSENTIAL, AND THAT DOMESTIC SAVINGS ARE EXCESSIVELY HIGH.

- (3) AN EQUILIBRIUM MUST BE SOUGHT IN THE BOP THROUGH INCREASED IMPORTS AND STIMULATION OF INDUSTRIAL PRODUCTION. IN THE MEDIUM AND LONG TERM, THE RATIO OF RAW MATERIAL IMPORTS MUST BE REDUCED AND TRADE IN MANU-
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FACTURES PROMOTED TO INCREASE FINISHED PRODUCT IMPORTS.

- (4) POOR IMPORT GROWTH IN 1977 RESULTED PARTLY BECAUSE OF REDUCED DOMESTIC CONSUMPTION OF CHEMICALS, COAL, PETROLEUM PRODUCTS AND NON-FERROUS METALS, WHICH USUALLY CONTRIBUTE GREATLY TO IMPORTS.

- B) PART TWO, TRADE:

- (1) IT IS DESIRABLE FOR JAPAN TO PROMOTE EXPORTS OF HIGH TECHNOLOGY PRODUCTS IN THE MEDIUM AND LONG TERMS.

- (2) THERE SHOULD BE A LIMIT TO THE EXTENT THAT FLOATING EXCHANGE RATES ARE RELIED UPON TO ACHIEVE BOP EQUILIBRIUM. TO ACHIEVE EXCHANGE STABILITY, ALL COUNTRIES MUST MAKE AN EFFORT TO CONTROL INTERNAL DEMAND.

- (3) JAPAN SHOULD PROMOTE IMPORTS BY TAKING STEPS TO INSURE DOMESTIC ECONOMIC RECOVERY AND OPEN MARKETS TO FOREIGN COMMODITIES. JAPAN SHOULD ALSO PROMOTE OUTFLOWS OF LONG TERM CAPITAL IN THE FORM OF

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INCREASED FOREIGN INVESTMENTS AND ECONOMIC COOPERATION.

- (4) ALTHOUGH THERE ARE MANY LAYERS IN THE JAPANESE DISTRIBUTION SYSTEM, THESE DO NOT PREVENT FOREIGN PRODUCTS FROM ENTERING THE JAPANESE MARKET. HIGH RETAIL PRICES OF IMPORTS ARE A RESULT OF THE SMALL VOLUME SOLD AND A DESIRE BY MERCHANTS TO MAINTAIN THE LUXURY IMAGE OF IMPORTS. HOWEVER, ALTERNATIVE DISTRIBUTION CHANNELS ARE DEVELOPING.
- C) PART THREE, JAPAN'S INTERNATIONAL TRADE PROBLEMS:

- (1) JAPAN MUST EXERCISE EXPORT MODERATION TO PREVENT TRADE FRICTION, DEVELOP PRODUCTS THAT DO NOT

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COMPETE SO MUCH WITH FOREIGN PRODUCTS, AND AVOID CONCENTRATING ON PARTICULAR MARKETS.

- (2) JAPAN, AS AN ECONOMIC SUPERPOWER, MUST ACCEPT THE DIFFICULT TASK OF RESTRUCTURING ITS INDUSTRIAL SECTOR TO MAINTAIN FREE TRADE. JAPAN MUST JOIN WITH THE U.S. AND EUROPE TO CONTRIBUTE TO THE SOUND DEVELOPMENT OF THE WORLD ECONOMY.

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- (3) THE RATIO OF JAPAN'S OVERSEAS DEVELOPMENT ASSISTANCE (ODA) TO GNP IN 1976 WAS ONLY 0.2 PCT WHICH WAS BELOW THE INTERNATIONAL GOAL OF 0.7 PCT AND EVEN BELOW THE INTERNATIONAL AVERAGE OF 0.33 PCT. JAPANESE ODA MUST BE RAISED BOTH QUALITATIVELY AND QUANTITATIVELY.

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3. VERNACULAR PRESS EDITORIAL COMMENT WAS GENERALLY CRITICAL OF THE "WHITE PAPER." SEVERAL EDITORS COMMENTED THAT THE PAPER DOES NOT SPECIFICALLY ADDRESS WAYS TO OVERCOME CURRENT DIFFICULTIES, SUCH AS CURBING EXPORTS, STIMULATING THE ECONOMY, OR REDUCING TAXES. ANOTHER SAID THAT IT SEEMED TO CONTINUE TO WELCOME EXPORT EXPANSION.

4. COMMENT. ALTHOUGH THE WHITE PAPER TENDED TO BE REPETITIVE, IT CONTAINED A FEW GEMS WORTH NOTING. FOR EXAMPLE, IT STRESSED THE IMPORTANCE OF INCREASING IMPORTS OF MANUFACTURES AND INCREASING INTERNAL DEMAND. THE COMMENT THAT EXCESS DOMESTIC SAVINGS MAY BE RESPONSIBLE FOR DEPRESSING JAPAN'S GROWTH RATE WAS NOTEWORTHY, ALTHOUGH MEASURES TO REDUCE SAVINGS INCENTIVES WERE NOT DEFINED THE FACT THAT THE BENEFITS OF YEN APPRECIATION ARE NOT OFTEN PASSED ON TO CONSUMERS WAS IGNORED. MANSFIELD

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Message Attributes

Automatic Decaptioning: X
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Draft Date: 30 jun 1978
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
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Review Release Event: n/a
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Status: NATIVE
Subject: 1978 MITI WHITE PAPER ON TRADE
TAGS: ETRD, JA, XX, MTN, EEC, OECD
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